

ASSESSMENT COORDINATION DEPARTMENT
PROPOSED RULE CHANGES

2004

RULE 1.06*(NEW RULE)***ASSESSMENT COORDINATION DEPARTMENT BEST PRACTICES ADVISORY GROUP**

There are hereby created the Assessment Coordination Department (ACD) Best Practices Advisory Groups. The Groups shall advise and assist the ACD Director in the development of standards for Best Practices in all areas of property assessment in Arkansas, including but not limited to the discovery, listing and valuation of property and ACD auditing procedures. Their role will be advisory only and not binding upon the Director.

Membership

The Director shall appoint members from a list of volunteers. All people employed in the assessment profession or interested in the assessment profession, including those from Arkansas and those from other states will be eligible for appointment. Members shall serve for a term of one year and may be reappointed by the director. The Director may remove any member absent from three meetings during a calendar year.

The nine standing Groups are:

1. Mass Appraisal - Residential
2. Mass Appraisal - Commercial
3. Mass Appraisal – Agricultural
4. Mass Appraisal - Mineral
5. Personal Property
6. Education
7. Mapping, CAMA and records management
8. Procedural Audit and Sales Ratio Study
9. Public Relations

Each Group will consist of seven members. From that group, the Director will choose one member to serve as Chairperson. The Chairperson shall be responsible for coordinating meetings, drawing up documents outlining recommended best practices, appointing a secretary for the Group and reporting the Group findings to the Director. From time to time the Director at his or her discretion may form ad hoc Advisory Group Committees to address issues not within the purview of a standing Group.

Notice

Immediately upon adoption of this rule, the director shall mail an announcement to each county assessor, each appraisal contractor in Arkansas and each ACD employee an announcement of the formation of the nine Advisory Groups. Each county assessor and contractor shall place the announcement in a conspicuous place for all employees to see. Accompanying the announcement will be a volunteer sign up sheet, which any eligible individual may return to the Director to be considered for inclusion, in a Best Practices Advisory Group.

SUMMARY:

The rule establishes a group of knowledgeable persons experienced in the ad valorem tax field to advise the ACD concerning the most efficient and productive techniques and methods of administering property tax law in the State of Arkansas. The Director will appoint seven members to each of nine committees to serve one year terms.

RULE 3.30

*(Amended Rule Mark-up)***MINIMUM ACCEPTABLE STANDARDS FOR PERFORMANCE AUDITS**

Reappraisal performance must conform to these Rules and Regulations, and the appraisal process must uniformly employ logical and generally accepted methods and techniques that are necessary to produce credible appraisals.

Phase 1 completed parcels are those which have had data collection/review and data entry. Phase 2 completed parcels are those for which valuation and corresponding entry into the CAMA system is complete. The cumulative number of parcels which are Phase 1 complete must be at least 90% of planned progress unless sufficient reason is provided on the monthly progress report and approved by ACD. For each property type, valuation must be complete for at least 50% of the parcels, subject to minor revisions, by April 19th of the valuation year. ~~Otherwise, the reappraisal will be out of compliance with progress established by the county=s reappraisal plan.~~

For each performance audit, total errors and/or omissions must not exceed 5% for any general or specific element of the appraisal process.

Failure to list a dwelling or other major improvement or placement of that improvement on the wrong parcel may not occur on more than 2% of the parcels.

Individual perimeter measurements of one-story dwellings must be accurate within one foot. Estimated measurements will be allowed for additional levels and for items such as driveways or fences, but these estimates should be based on techniques resulting in reasonable accuracy.

All real estate improvements must be listed on each property record card. Those improvements that are deemed to have no contributory value by the appraiser must be listed with minimal description and coded uniformly by CAMA providers. Dimensional elements of NCV improvements are optional. Failure to list all such improvements will be counted on the PA as an error.

The ACD will periodically audit entry of sales information during both Phase 1 and Phase 2 of the reappraisal. All deeds which necessitate a change of name or legal description that are more than 30 days past their filing date must have been entered into the county=s CAMA system. Errors and/or omissions shall not exceed 5% of the total entries.

SUMMARY:

This amendment deletes the provision stating that a finding of non-compliance is mandatory. The deletion is necessary to comport with the provisions of the amended Rule 3.31.

RULE 3.31 *(Amended Rule Mark-up)*
FAILURE TO COMPLY WITH STANDARDS OF PERFORMANCE AUDIT

The Director of the Department may, for cause, and after opportunity for a hearing, suspend or terminate the contract of any appraisal firm or county, suspend or terminate the appraisal manager status of an appraisal manager, or remove an appraisal firm from the list of eligible contractors.

Whenever an audit indicates standards established elsewhere in these rules have not been met, the responsible party will be given the opportunity to dispute the audit results. Upon a final determination that standards have not been met, the Director of the Department MAY declare the reappraisal to be out of compliance and/or require corrective action.

Factors influencing the Director's decision shall include, but are not limited to (1) the significance of the problem, (2) the cause of the problem, and (3) previous violations.

Value-related elements are considered significant for these purposes when they are estimated to affect market value by \$2,000 or more.

An insignificant problem can become significant when the county or appraisal firm fails to correct the problem.

~~Whenever an audit, using the standards established elsewhere in these rules, performed by the ACD indicates that proper reappraisal procedures are not being followed~~ When the reappraisal is determined to be out of compliance, that finding will be reported by certified mail to the county assessor and appraisal manager and reappraisal funding will be withheld. The aforementioned letter will be copied to the board of equalization, county judge, quorum court, and the contractor when applicable.

~~For each out of compliance category~~ If funding has been withheld, the responsible party must bring reappraisal procedures into compliance and must sign, date, and return the enclosed Compliance Verification Form (Form A-17) within 30 calendar days of the date of the certified letter and take corrective action as required or funding will be terminated subject to termination, pending results of a hearing if one is requested. Withheld funds will be released and payments will be resumed if the ACD determines the reappraisal is back in compliance as required and will continue as scheduled as long as the reappraisal, including corrective action, remains in compliance. Withheld funds will be released and payments will be resumed in accordance with the specifications of the Compliance Verification Form.

*Adopted 10/01/99
 Amended 12/20/00
 Amended 3/03/02
 Amended and implemented 4/6/04 by emergency procedure*

SUMMARY:

The Director may suspend or remove a contractor for cause from the register of contractors. Significant error is defined and the Director may declare a county out of compliance or require corrective action in the appropriate case. Withheld funds will be released when corrective action is successfully completed.

RULE 3.32

(Amended Rule Mark-up)

FALSE REPORTS OF PROGRESS MISREPRESENTATION

~~Upon a finding that progress has been falsely reported on a required progress report,~~
Funding already disbursed to the county as a result of misrepresentation will be
required to be reimbursed to the state, unless the action is determined, by the ACD
Director, to be unintentional.

SUMMARY:

The previous rule required re-imbursement to the state and this change recognizes that there can be instances where the misrepresentation was unintentional and the circumstances warrant other treatment.

RULE 3.39 (Amended Rule Mark-up)
BIDS REQUIRED FOR CONTRACTED REAPPRAISALS

Each county that contracts reappraisal services will be required to advertise for bids for the planned reappraisal and to mail a copy of the notice/bid invitation ~~ACD approved bid specifications~~ to all companies listed on the ACD Annual Register of Appraisal Companies at the time of advertising. The notice/invitations to bid shall include the number of parcels, the time/date deadline for submitting bids (not less than 10 working days from the day the notice/invitations to bid are mailed out) and that A any bids submitted by a contractor that do not meet the ACD approved specifications shall be rejected by the county. The notice/invitation to bid shall also include a statement that the contractor may obtain a copy of the bid specifications by contacting the County Assessor and requesting that the specifications be mailed, emailed, or faxed to him. The county shall submit to the ACD a copy of all bids received. In the event the county chooses to employ an appraisal firm other than the firm that submits a low bid, the county assessor must submit a written narrative explaining the county's choice of firms. The narrative must be attached to the proposed appraisal contract, and explain in detail what criteria were utilized to make the decision to hire a firm other than the low bidder. Failure to comply with this rule will result in rejection of the proposed appraisal contract.

To assist counties in making judgments as to contractor's qualifications and past performance, the ACD shall provide the following information about each contractor to the assessor, county judge, equalization board, and school superintendents in each county requesting bid for reappraisal contracts:

1. Contractor Register information provided to ACD in compliance with ACD Rule 4.05, upon request.
2. The ~~per parcel~~ total cost of each contract that each contractor currently has in force.
3. Ratio study results in the counties where each contractor has completed reappraisal in the preceding two years.
4. The number of findings by the ACD that each contractor was out of compliance during ~~5- ACD procedural audits in the preceding two years~~ twenty-four months.
5. The number of instances during the preceding ~~two years~~ twenty-four months that each contractor has had a contract terminated or funding for the county terminated by the ACD.

SUMMARY:

The assessor may mail out notices or invitations to bid without sending the whole set of Bid Specifications and the interested contractor can obtain a copy from the Assessor in person, by mail, or by electronic transmission. The notice must allow the contractor at least ten days to get in a bid.

RULE 3.51 *(Amended Rule Mark-up)*
DEFINITIONS RELATING TO CHAPTER 3 RULES

Agricultural lands - Lands used for the production of timber, agricultural crops, or pasture. Each parcel not exceeding five acres in size will be assessed based upon market value, excepting those parcels for which the property owner can provide evidence of a genuine agricultural, pasture or timber use. The words agricultural, pasture or timber use mean that the land is managed in a fashion that indicates it is being used in the production of crops, livestock or lumber with a view toward profit.

City lands - Lands within the limits of an incorporated city.

Contracted reappraisal - A reappraisal conducted by non-county employees, and overseen by an appraisal manager who is an employee or principal in a reappraisal contracting firm.

In-house reappraisal - A reappraisal conducted by employees of the county, and overseen by an appraisal manager. The appraisal manager may be an employee of the county or a contract appraisal manager.

Neighborhood - A portion of a larger community, or an entire community, in which there is a homogeneous grouping of inhabitants, buildings, or business enterprises. It is that area within which any change has an immediate and direct influence on the value of the subject property.

Parcel – All contiguous land capable of being conveyed on a single deed, except when that tract of land crosses taxing unit boundaries, ~~or township lines~~, or section lines, ~~or an improvement only.~~ Improvement only assessments are considered a parcel irrespective of the land on which it is located. In circumstances where land otherwise defined as a parcel by necessity and convenience must be listed in more than one of the assessor's books (City and town, Rural, and Rural Platted Sub division) it may be divided into separate parcels; each portion listed in the appropriate assessor book. Any legal description shall not be listed on more than one parcel. Ownership of a parcel by multiple persons does not constitute multiple parcels. Control cards, information cards, and mineral rights parcels are not to be counted as parcels for use when applying Act 1185 of 1999.

Reappraisal - The estimating of the value of all taxable real property within the county as of a given date within a given time frame.

Rurban lands - Lands in a recorded, platted subdivision which lie outside the limits of any incorporated city.

Sectionalized Aerial Photos - the process of drawing and/or displaying linear representations of Section, Township and Range lines on aerial photography and labeling same.

*Adopted 10/01/99
Amended 3/03*

Summary:

For expediency, a county may presume that a parcel of land five acres or less in area is to be assessed at market value. This presumption is rebuttable upon proof by the owner. "Improvement only" property is to be considered a separate parcel. Sectionalized Area Photos is defined for clarity to provide that section, range, township lines are to be drawn and labeled.

RULE 4.04.1 *(Amended Rule Mark-up)*

A. RATIO STUDY PERFORMANCE STANDARDS

1. Purpose, Authority, and Objective of Rules

1.1 Purpose. The purpose of these rules is to ensure that real property in Arkansas is appraised accurately and uniformly in accordance with constitutional and statutory requirements, most notably A.C.A. 26-26-1902 and A.C.A. 26-26-304(e)(1).

1.2 Authority. A.C.A 26-26-304 directs the Arkansas Assessment Coordination Department (ACD) to prepare a ratio study by classification for each county and school district in valuation years. These rules set forth the procedures ACD will follow in conducting these studies for properties appraised on a market value standard and the requirements of counties and contractors in assisting ACD in effective completion of such studies.

References to “counties” in these rules include contractors or vendors who work for or assist counties in the revaluation and assessment process.

1.3 IAAO Standards. A.C.A 26-26-304(a)(3) directs ACD to use generally accepted valuation procedures and techniques found in the International Association of Assessing Officers’ (IAAO) standards on ratio studies. As a general matter, both the assessors and ACD should follow IAAO standards in preparing sales for the ratio study and in conducting such studies. These rules are intended to provide specific guidance and requirements for conducting ratio studies in Arkansas consistent with IAAO standards. However, where there may be differences or discrepancies between these rules and IAAO standards, these rules shall control.

1.4 Property type. Property values must be uniform among and within major property types. The ACD’s ratio study of real properties appraised on a **market value** standard shall utilize the following three major types or classes of property (1) residential properties including multi-family properties with four units or less, (2) vacant land regardless of zoning or probable use, and (3) commercial and industrial properties including multi-family properties with five or more units.

1.5 Market areas. Property values must be uniform across and within major geographic divisions of a county. Each county shall define major geographic areas, termed “market areas”. Each market area shall contain between 1,000 and 20,000 parcels, depending on value patterns and the economic diversity of the county. Market areas can be viewed as groups of neighborhoods in the same geographic area or areas that share similar economic characteristics and price ranges. Smaller or economically homogeneous counties may have a single market area.

1.6 Technology. The ratio study shall be performed efficiently using modern data processing technology. Counties must submit data to the Department in electronic format in standard formats provided by the Department.

2. Required Dates

2.1 January 31. By January 31 of each year *all* counties shall submit to ACD an electronic list of all warranty deeds and special warranty deeds. For counties with 50,000 or more parcels this list shall include all warranty deed and special warranty deed sales of vacant and residential parcels for the *prior* calendar year and all warranty deed and special warranty deed sales of commercial and industrial properties for the prior *two* calendar years. For all other counties the submission shall include all vacant and residential warranty deed and special warranty deed sales for the prior *two* calendar years and all warranty deed and special warranty deed sales of commercial and industrial properties for the prior *three* calendar years. Each sale shall contain the following items.

- Parcel number
- Section, township, and range or subdivision
- The existing land, building, and total value of the property before consideration of value caps, partial exemptions, etc.
- The primary use code of the property
- Market area
- Neighborhood
- School district
- The land size and unit of measurement (acres, square feet, etc.)
- The living area, construction grade, grade adjustment factor, year built if available, and effective age or remaining economic life percentage of the primary building in the case of residential properties
- The Marshall & Swift building class code (A, B, C, D, or S), occupancy type code, gross building area, year built, and effective age in the case of commercial and industrial properties
- The sale date, deed book and page, deed type, grantor, grantee, and sale validation code for the most recent warranty or special warranty deed sale of the property
- The sale price and any adjustments to the price for personal property, etc.
- Sales/Ratio related comments.

The file shall contain one row per property and must be in ASCII fixed field, ASCII comma separated value (csv), Excel, or Quattro Pro format, or in a format that is directly compatible with Excel.

2.2 March 1. By March 1 ACD shall prepare a preliminary ratio study for each revaluation county that sets forth the level and uniformity of assessments in the county based on existing assessed values. Sales used in the study will not be adjusted for time.

2.3 April 1. By April 1 ACD will determine appropriate time adjustment factors for each county for each of the three major property classifications described in 1.4

above based on sales submitted by the county and provide the results to the county.

2.4 June 1. By June 1 counties must notify the ACD of any disagreements with its time adjustment factors and submit any requested changes or modifications to the adjustments. (See also 4.1 and 4.2 below.)

2.5 July 1. By July 1 counties conducting revaluations shall submit to ACD an electronic file of all real property appraised on a market value standard. The file shall include the following items for each property:

- Parcel number
- Section, township, and range or subdivision
- The new land, building, and total value of the property before consideration of value caps, partial exemptions, etc.
- The prior land, building, and total value before consideration of value caps, partial exemptions, etc.
- The primary use code of the property
- Market area
- Neighborhood
- School district
- The land size and corresponding unit of measurement
- The living area, construction grade, grade adjustment factor, year built if available, and effective age or remaining economic life percentage of the primary building in the case of residential properties
- The Marshall & Swift building class code (A, B, C, D, or S), occupancy type code, gross building area, year built, and effective age in the case of commercial and industrial properties
- The sale date, deed book and page, deed type, grantor, grantee, and sale validation code for the most recent warranty or special warranty deed sale of the property
- The sale price and any adjustments to the price for personal property, etc.
- Sales/Ratio related comments.

The file shall contain one row per property and must be in ASCII fixed field, ASCII comma separated value (csv), Excel, or Quattro Pro format, or in a format that is directly compatible with Excel.

2.6 August 1. By August 1 ACD shall prepare a final ratio study for each revaluation county setting forth the level and uniformity of assessments in the county for the revaluation year.

3. Sales Used in Studies

3.1. Sales time frame. In counties with at least 50,000 real property parcels, the ratio study will use one year of sales for vacant and residential properties and two years of sales for commercial and industrial properties. For all other counties the

study will use two years of sales for vacant and residential properties and three years of sales for commercial and industrial properties.

3.2 Audit of county submissions. The ACD will compare county sales submissions against records maintained by county recorders to ensure that all warranty deeds have been timely submitted.

3.3 Sales validation codes. Counties shall assign one of the following validation codes to each sale to be included on all sales submitted to ACD.

00	UV	<u>Unvalidated sale</u>
01	VS	<u>Valid sale</u>
02	GO	<u>Sale to or from a government agency</u>
03	CH	<u>Sale to or from a charitable, religious, or educational institution</u>
04	FI	<u>Sale in which a financial institution is the buyer in lieu of foreclosure, or in which a financial institution is the seller and the property is not exposed to the open market</u>
05	RL	<u>Sale between related parties</u>
06	CV	<u>Sale of convenience, e.g., to correct a title defect or create a joint tenancy</u>
07	ES	<u>Sale settling an estate</u>
08	FS	<u>Forced sale – seller is sheriff, receiver, or court officer</u>
09	DT	<u>Sale of doubtful title</u>
10	TR	<u>Sale involving a trade</u>
11	PI	<u>Sale of a partial interest in the property</u>
12	CT	<u>Sale involving a land contract (including payoff of the contract)</u>
13	CS	<u>Significant improvement (e.g., room addition or renovation) to a property between sale date and assessment date</u>
14	AS	<u>Assemblage sale – purchase of an adjoining property at a premium price</u>
15	MU	<u>Sale of multiple properties that fail to constitute an economic unit (includes bulk sales of properties to a developer or builder)</u>
16	PP	<u>Sale involving personal property of significant but undeterminable value (see discussion in 4.3)</u>
17	OT	<u>Sale involving non-market financing or other non-real estate considerations of significant but undeterminable value (see discussion in 4.4)</u>
18	FD	<u>Future Development/Sale includes new dwelling to be assessed</u>
19	MH	<u>Sale includes mobile home</u>
20	AL	<u>Land priced as AG/ not priced at market value</u>
21	DV	<u>Sale impacted by divorce</u>
22	IS	<u>Sale amount insufficient to be used in sales analysis</u>
23	NM	<u>Property not listed for sale on open market</u>
24	RC	<u>Relocation/Buyback</u>
25	VA	<u>Primary parcel of a group of parcels that have sold</u>
26	AP	<u>Additional parcels that are linked to the primary parcel</u>

3.4 Audit of county validation codes. The ACD will audit a random sample of at least 50 sales submitted by each revaluation county to ensure that validation codes

have been correctly assigned. The sample will include an equal number of sales coded as valid and invalid by the county. The ACD shall share its audit findings with the county and the county shall have an opportunity to dispute its findings. If the ACD determines that more than 10% of sampled vacant, residential, or commercial/industrial sales are incorrectly coded, it shall not use validation codes submitted by the county for that property class, but rather shall use electronic edits, select and validate a random sample of sales, or take other measures deemed appropriate to ensure a valid study.

- 3.5 Sales valid for study. The ACD shall use sales coded as 01 (VS) and 00 (UV) in its ratio studies. If there is a disagreement between a county and the ACD as to the proper validation code for a sale, the ACD shall use the code it considers most appropriate. Both 01 (VS) and 00 (UV) sales shall be subject to electronic edits (see 3.11 below).
- 3.6 Use of most recent sale. If more than one valid sale occurs for a property during the time frame of the study, only the most recent sale shall be used in the study.
- 3.7 Multiple parcel sales. Sales of multiple parcels that constitute a single economic unit should be included in the study by summing the assessments and comparing the total assessed value with the sale price. Such sales should be screened in the same manner as individual parcel sales to determine whether they represent legitimate representations of market value.
- 3.8 New construction sales. To help ensure that vacant land sales are not compared with assessments that reflect recent improvements and to prevent the study from being disproportionately influenced by new construction, sales involving new construction (e.g., as indicated by the year built) shall not be used in the ratio study.
- 3.9 Low-value properties. The lowest 10% of residential assessed values, the lowest 10% of commercial/industrial assessed values, and the lowest 10% of vacant land assessed values shall be excluded from the study. These properties will be removed prior to conducting electronic edits.
- 3.10 High-value commercial properties. Any property that constitutes more than 5% of the total assessed value of commercial and industrial properties in a county will be excluded from the study. These properties will be removed prior to electronic edits.
- 3.11 Electronic edits. The ACD may conduct statistical-based edits to filter properties with atypical features, sales prices, or assessment-to-sale ratios from the study. Not more than approximately 5% of sales shall be filtered from the study based on ratio alone.
- 3.12 Appraisals. In order to achieve adequate sample size and representativeness for commercial and industrial properties, the ACD may appraise a random sample of such properties. All three approaches to value shall be considered. The approach emphasized in a particular appraisal shall be appropriate for the type of

property in question. The assessor and appraisal contractor shall be afforded an opportunity to review the appraisals and to submit information supporting different value conclusions. Conflicts will be resolved by an independent third party review if different value conclusions will materially affect the outcome of the study. The appraisal will serve as surrogate commercial/industrial sales in the study. The ACD will not conduct appraisals of vacant or residential properties.

4. Adjustments to Sales

- 4.1 Time adjustments. All sales used in the ratio study shall be adjusted for time as necessary to January 1 of the assessment year. The ACD shall conduct time analysis studies using the techniques set forth in the IAAO *Standard on Ratio Studies* and the IAAO textbook, *Mass Appraisal of Real Property* (1999). Counties may submit documented time adjustments to ACD, which ACD may rely on if it finds that the adjustments are based on sound methodology and adequately reflect the market. The ACD shall have authority to determine final time adjustments used in its ratio studies.
- 4.2 Time adjustment categories. The ACD will conduct time adjustment analyses for residential properties, vacant properties, and commercial/industrial properties. For purposes of these analyses, it may combine properties of the same type in counties that are similar in terms of their economic base and geographic location.
- 4.3 Personal property adjustments. If a sale includes personal property of significant value and the value of the personal property can be determined with reasonable accuracy, the value of the personal property shall be subtracted from the sale price and the adjusted price used in the study. If the value of the personal property appears to be 5% or more of the sale price but its value cannot be determined with reasonable accuracy, or if the value appears to exceed 25% of the price, the sale shall be excluded.
- 4.4 Other adjustments. Counties may also make adjustments to sales prices for cash equivalency, assumed leases, and other non-real estate considerations that significantly affect the price paid for a property. The basis for these adjustments must be documented and available for inspection by ACD. As a general principle, sales that require difficult or subjective adjustments should be excluded from the study (assign validation code 17 or 'OT').

5. Compliance Standards

- 5.1 Level of compliance. Counties conducting a revaluation must comply with ratio study standards for real property appraised on a market value basis both on an overall basis and for each of the following three major property type strata: (1) residential, (2) vacant land, and (3) commercial and industrial. In addition, ratio study standards must be achieved for residential properties and vacant land within each market area.

No county will be bound by this rule, for the market area provision only, on its first ratio study after passage of this rule.

5.2 Overall level of assessment. The overall level of assessment must be from .18 to .22. The overall level of assessment shall be computed as a weighted average of the median ratio determined for each of the three major classes: residential, vacant, and commercial/industrial. The weight assigned to each major class shall be proportionate to the estimated market value of the class. Any property that constitutes more than 5% of the assessed value of its class shall be omitted for purposes of the calculation.

5.3 Level of assessment of class. The level of assessment for each major class (residential, vacant, and commercial/industrial) must be from .18 to .22. ACD shall conclude that a county has failed this requirement if statistical analysis reveals with 95% confidence that the true median assessment level is below .18 or above .22 (or equivalently that a 90% confidence interval for the median falls entirely below .18 or entirely above .22).

5.4 Level of assessment of market area. The level of assessment for residential properties and vacant land within each market area of a county must be from .18 to .22. ACD shall conclude that a county has failed this requirement if statistical analysis reveals with 95% confidence that the true median assessment level is below .18 or above .22 (or equivalently that a 90% confidence interval for the median falls entirely below .18 or entirely above .22).

No county will be bound by this rule on its first ratio study after passage of this rule.

5.5 Uniformity of assessment. The coefficient of dispersion (COD) must meet the standards shown below. The ACD shall conclude that these standards are not met when a statistical analysis reveals with 95% confidence that the true COD is greater than the required COD. The procedure outlined in Robert J. Gloudemans, "Confidence Intervals for the COD: Limitations and Solutions", *Assessment Journal* (IAAO, November/December 2001) will be used for this purpose.

\$ Residential property. The COD must be 15.0 or less in market areas with a median year built of 1960 or greater and a median sale price of \$60,000 or more. Other residential CODs must be 20.0 or less.

\$ Vacant land. CODs must be 25.0 or less in each market area.

\$ Commercial property. The COD must be 20.0 or less in counties with 50,000 or more parcels and 25.0 or less in smaller counties.

As experience is gained, the ACD may tighten these standards so that they are closer to or equivalent with IAAO standards for the COD.

No county will be bound by this rule, for the market area provision only, on its first ratio study after passage of this rule.

- 5.6 Failure to comply. If a county fails to meet the level or uniformity standards set forth in 5.2 through 5.5 above, the ACD shall promptly notify the county and invoke the corrective actions outlined in A.C.A. 26-26-304(f).
- 5.7 Selective appraisal of sold properties. The ACD shall vigilantly monitor whether counties are appraising unsold properties in the same manner as sold properties. Such tests shall include but not be limited to a comparison of percentage changes in value for sold and unsold properties of the same property type in the same market area (excluding new parcels and parcels with new construction). The ACD may also employ other tests of selective appraisal outlined in IAAO ratio study standards and the IAAO textbook, *Mass Appraisal of Real Property* (1999). If the ACD determines that a county is not appraising unsold properties in a property type, market area, or other property stratum in the same manner as sold properties, the ACD shall deem that the county has failed that portion of the ratio study and its responsibility to appraise properties uniformly at market value. ACD shall invoke the corrective actions outlined in A.C.A. 26-26-304(f).

6. Appeal of Findings

- 6.1 Appeals to ACD Director. A.C.A. 26-26-304(g) provides that a county that is aggrieved at the findings of the ratio study may appeal the results to the Director of ACD and have the right to examine ACD's records.
- 6.2 Openness. The ACD shall provide the results of its statistical analyses to counties and, upon request, shall provide the underlying data and statistical algorithms used in its calculations.
- 6.3 Further appeal. At their option, counties may pursue other avenues of appeal of the findings of the Department as provided by the laws and courts of the State of Arkansas.

A) PURPOSES:

~~The ratio study performed annually by the Assessment Coordination Department has four purposes:~~

- ~~1. The determination of the average ratio of assessed value to the true and full market or actual value of real property, excluding agricultural lands, by classifications, in each of the counties and school districts of Arkansas;~~
- ~~2. The determination of the actual assessment level of real estate, including the value of agricultural lands that qualify for a use/productivity valuation, by classification such as residential, commercial/ industrial, agricultural, etc.;~~
- ~~3. The determination of the average ratio of assessed value to the true and full market or actual value of personal property in each of the counties and school districts of Arkansas;~~

4. ~~The determination of the weighted coefficient of dispersion about the median ratio for market value real estate.~~

~~B) STATUTORY REQUIREMENT:~~

~~The ratio study shall comply with (Ark. Code Ann. 26-26-304 Repl. 1997).~~

~~C) BURDEN OF PROOF:~~

~~The burden of proof is on the Assessment Coordination Department to show by the preponderance of the evidence that:~~

1. ~~The county assessor has not placed the real and personal property in the county on the tax record at twenty percent (20%) of the true and full market or actual value for the assessment year or has not placed the agricultural real property in the county on the tax record at twenty percent (20%) of the use/ productivity valuation for the assessment year.~~
2. ~~That the August first ratio for classifications of market value real estate, business personal property or personal property (auto and other) are below eighteen percent (18%) or above twenty two percent (22%) of full market value for the second consecutive August one ratio study.~~

~~D) OVERALL COUNTY RATIO:~~

~~To obtain the overall ratio, the County=s prior year Equalization Board Abstract shall be used to determine the total assessed value in each classification of property. The classification total assessed value is then divided by the classification ratio as determined by ACD to determine the Estimated Market Value for each class. The Estimated Market Value for the classifications are summed and then divided into the Total Assessed Value for all classes which results in the overall county ratio.~~

~~E) NOTIFICATION OF FAILURE:~~

~~Each Assessor will be personally notified if the county has failed its ratio prior to the time that the news is made public unless the Assessor is not available for notification.~~

~~F) RATIO STUDY APPEAL PROCEDURE:~~

~~Any informal appeal of a county=s August 1 ratio study for any year shall be filed with the Director of the ACD on or before August 15 of that year.~~

~~An informal appeal of the results of a county=s August 1 ratio should be written so as to fully and completely advise the Assessment Coordination Department in what respects the Department has failed to produce a ratio that meets its burden of proof and should set forth in plain language the alleged facts and any proof of such failure. Each allegation should be set forth in a separate numbered paragraph. If the appeal alleges as its basis for relief that certain samples were erroneously included, each sample should be described in a separate paragraph.~~

~~Upon receipt of an informal appeal, the appropriate Ratio Study Coordinator shall either accept or reject the separate allegations by paragraph number providing to the appellant an explanation as to the reason for the rejection within two weeks. The Ratio Study Coordinator shall respond to any other allegations of the appellant and, if appropriate, re-compute an Amended August 1 Ratio for the county.~~

~~Should a county wish to further appeal its August 1 Ratio Study or the Amended August 1 Ratio Study, the County should notify the Director of the Assessment Coordination Department within two weeks of the date of the determination by the Ratio Study Coordinator that it is thereby filing a Formal Appeal stating therein the Paragraphs of the Informal Appeal which it continues to pursue and whether the Assessor requests a personal hearing before the Director. If a personal hearing is requested, the Assessor should notify the Director prior to the hearing as to the identities of the people who will be present and participating in the hearing. The Ratio Study Coordinator shall be present at all hearings to defend the Ratio Study results.~~

~~In the event, a personal hearing is not requested before the Director, the Director shall make the determination within two weeks of the Formal Appeal based on the original allegations of the appellant and the response of the Ratio Study Coordinator.~~

~~II. COMPONENTS OF EACH COUNTY RATIO~~

- ~~A. Real Property/Agricultural Land~~
- ~~B. Business Personal Property/Personal Property~~

~~A. REAL PROPERTY COMPONENT:~~

~~The classifications are: (1) market value real estate which is further divided into urban residential, rural residential, suburban and commercial industrial and (2) agricultural land which is valued by its use/productivity.~~

~~MARKET VALUE REAL ESTATE CLASSIFICATION~~

- ~~1. This component of the ratio study shall be based on sales/assessment ratios, supplemented with appraisal/assessment ratios, as required, to meet generally accepted statistical techniques.~~
- ~~2. a) This component of the ratio study may include sales data for the three previous calendar years.
Act 1079, p2.2 (April 5, 1999). "In those instances when the number of appropriate sales from the calendar year previous to the assessment year is insufficient to present a statistically sound sample, the sales/assessment ratio study may include sales data for the three (3) calendar years previous to the assessment year."~~
- ~~b) In a county that did not fail their last ratio study, Field Auditors shall use updated appraisal values for a neighborhood(s) in the assessment ratio~~

~~study (a) only if there is ample evidence that all other neighborhood(s) which were undervalued have been properly adjusted and (b) only if there is also evidence that the remaining neighborhoods that were not revalued were properly appraised.~~

- ~~3. In conducting this component of the ratio study, the Arkansas Assessment Coordination Department shall use generally accepted valuation procedures, statistical compilation, and analysis techniques found in the International Association of Assessing Officers standards on ratio studies. (See *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers or the most current edition thereof, hereafter referred to as "SORS") The standard incorporates selected chapters and appendices of the *Property Appraisal and Assessment Administration*, published by the International Association of Assessing Officers (hereafter referred to as "PAAA").~~

METHOD OF DETERMINING REAL ESTATE SAMPLES

~~To determine the number of market value real property samples, to be selected from the county and the location from which the samples are to be obtained, the total parcel count shall be computed every two years. Each school district shall be further broken down into, city, rural and the number of samples actually obtained shall be computed by use of the formula and procedure described in section 8.3 Required Sample Size (See *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers and Appendix 20-3 "Sample Size" *Property Appraisal and Assessment Administration*, published by the International Association of Assessing Officers, 1990 edition with enough samples to assure that at the ninety five percent confidence interval they are plus or minus ten percent accurate.~~

- ~~1. During the year preceding the assessment year, the Field Auditor, shall be provided with the requirements for the selection of samples for use in the Sales/Appraisal Sample Size for the county which lists each school district within the county and the number of rural, city rural and agricultural (use) samples to be selected from each school districts. The samples selected shall be compared with the actual assessment of the particular parcel the following year. Any value changes made to a sample by the assessor after the sample was initially selected must be thoroughly investigated by the Field Auditors to determine whether the change was appropriate. The Field Auditor must document the assessor's explanation and the auditor's determination as to the appropriateness of the change and file the documentation with the Ratio Study Coordinator.~~
- ~~2. Prior to December first of each year, the county shall notify the Assessment Coordination Department if it has completed a reappraisal and placed those values on its records. If the notification is made and received in a timely manner, the Assessment Coordination Department shall prior to the publication of the February first ratio study update its samples to reflect the new values.~~
- ~~3. The number of commercial real estate samples to be obtained is roughly ten percent on the total number of real property samples selected.~~

4. ~~Appraisals are to be utilized only when sales are not available.~~
5. ~~Samples may be selected by use of the Deed Book kept by the Circuit Clerk & Recorder for the county, a deed register kept by the county assessor, or a computer generated list of the entire sales in the county. In the event the Auditor uses the Assessor=s register or a computer generated list, the Auditor must first determine that the Assessor=s records are complete and up to date by comparing the Assessor=s records with a random selection of deeds taken from the Circuit Clerk=s records or, if there be a computer program to determine the accuracy of the Assessor=s records, that may be used. This process shall be documented by the Field Auditor.~~
6. ~~Property sales transactions are considered to occur in a random manner. Samples shall be selected at random. The Field Auditors shall document the entire process by taking the record being used and logging a starting point and an ending point. The Field Auditor shall go through the record recording the deed book, page and deed number of each deed. If a sale is excluded, the reason shall be noted:~~
 - ~~a) The Field Auditor shall select no more than five samples per subdivision, regardless of the number of phases in that subdivision.~~
 - ~~b) The Field Auditor shall have a maximum of ten unimproved lot samples in the overall sample.~~
 - ~~c) Multiple parcel sales and splits are to be selected only if the field auditor is experiencing difficulty in locating the required number of samples.~~
 - ~~d) Samples which reflect a newly constructed building(s) on a previously unimproved lot may be excluded. These samples shall remain in the database for review by the Ratio Study Coordinator to determine if new construction is being properly added to the assessment rolls. If it is determined that new construction is not being properly added to the assessment rolls, then the Ratio Study Coordinator, after consultation with the Director, may reintroduce some or all of these samples without notification to the County Assessor.~~
 - ~~e) The following sales shall be excluded: sales of doubtful title; Aright of way" sales, road district, drainage district, sewer district sales; those involving courts, federal, state or local governmental agencies, sheriff's sales, public utilities; those involving charitable, religious or educational institutions; those in which a financial institution is the buyer or seller and the lien holder, those involving administrators, executors, guardians, receivers or trustees and estates; those between related individuals or corporations; those in which the phrase "love and affection" are part of the consideration; those involving an "undivided interest" or "life estate"; those of only mineral interests or timber rights and those which contain a land use (agricultural) valuation.~~

~~At the time of the pulling of the samples, sales are screened which are patently invalid on the face of the deed, as outlined in Acquisition and Analysis of Sales Data, Sections 6.1 through section 6.42 of the *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers.~~

VERIFICATION, EDITING AND ADJUSTMENTS TO REAL ESTATE SAMPLES

- ~~1. Following the selection of the sample, sales are further verified and edited based on Acquisition and Analysis of Sales Data: section 6.1 through section 6.4.2 of the *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers or corresponding provisions contained in any superceding edition of same.~~
- ~~2. With respect to section 6.4.2 through section 6.6 *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers, there shall be no adjustment for those circumstances described in section 6.5.2 through section 6.6 except there is an adjustment to the sales price when there is a stated amount of personal property included in the sales price, except in the event there be circumstances as described in section 6.5.2 and section 6.5.3 discovered by the Auditor or brought to the attention of the Assessment Coordination Department, then those samples shall not be used. This provision shall be applicable to the corresponding sections of any superceding editions of said standards of ratio studies.~~
- ~~3. The ultimate decision as to whether a sample should be included shall be made by the Ratio Study Coordinator; while recognizing that the statistical validity of the ratio study is of prime importance.~~

MISCELLANEOUS

- ~~1. On receipt of the February first Preliminary Ratio Study, The Assessor shall promptly determine whether any of the samples proposed for inclusion in the study are objectionable.~~
- ~~2. All objections shall be made in writing and filed with the Ratio Study Coordinator by the Assessor on or before May 31. Each sample to which there is an objection must be identified and a full explanation provided as to why the sample should not be included. For example: if there is an objection that the sample parcel is adjoining one owned by the purchaser, documentation must be provided. If the requested exclusion is based on information provided by another person, identify that person and obtain a signed statement from that person. The statement must contain the person=s address, telephone number and the source of the information.~~
- ~~3. All objections shall be considered and, if warranted, further investigation shall be conducted to determine if the objection is valid. Failure to fully document the request may be grounds to refuse the objection; however, it is the overriding goal of the Ratio Study Coordination to delete all improper samples. Failure to make the objection in a timely manner, absent some compelling circumstance which~~

~~prevented the Assessor from discovering the problem with the sample, shall automatically result in the rejection of an Assessor's request for deletion of a sample. No deletions shall be made after July 31.~~

- ~~4. The Ratio Study Coordinator may determine that a questioned sale sample should be included in the ratio study. A copy of the Assessors edit request report shall be returned to the assessor with notations as to which sales were included, and why they were included, or excluded from the sample and those which need additional investigation by the field auditor. Field auditors shall review the edit report with the Assessor and recommend changes to the Ratio Study Coordinator if any changes are warranted in the judgment of the auditor.~~
- ~~5. Field Auditors shall discuss their findings regarding objections with the Assessor prior to August first, if the Ratio Study Coordinator for Market Value Real Estate has not done so.~~

B. OTHER COMPONENTS OF COUNTY RATIO

AGRICULTURAL LAND CLASSIFICATION

In conducting this component of the ratio study, the Arkansas Assessment Coordination Department shall use generally accepted valuation procedures, statistical compilation, and analysis techniques found in the International Association of Assessing Officers standards on ratio studies. (See *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers or the current edition of same, hereafter referred to as "SORS", which incorporates selected chapters and appendices of the *Property Appraisal and Assessment Administration*, published by the International Association of Assessing Officers, 1990 edition or current edition, hereafter referred to as "PAAA").

1. DEFINITION OF TERMS: Terms used in connection with the ratio study on market value real property shall be as defined in Section 14, "SORS." AND "PAAA."
2. The ratio study on agriculture land shall be based on a physical examination of the records of each assessor's office to determine the degree of compliance with the criteria established in the Assessment Coordination Department Agricultural Land Values Publication.
3. Agriculture samples are pulled in the year preceding the ratio study. Sales are not used.

METHOD OF DETERMINING AGRICULTURAL LAND SAMPLES

If it is determined that a County had adopted the schedule of values established by the ACD, a minimum of fifty agricultural parcels shall be selected from each county; however, if it is determined that the County has not adopted the schedule of values, seventy-five samples shall be selected. If the county's ratio is below fourteen percent,

100 samples shall be selected. If the County has adopted the schedule of values established by the ACD and there are minor problems relating to disparity, 60 samples shall be selected. A rural parcel count shall be taken of the county. The appropriate number of samples shall be divided in accordance with the proportion of rural parcels per school district.

SELECTION OF SAMPLES

At the same time as the other real estate sample requirements are provided the Field Auditor, instructions as to the number of agriculture samples to be obtained shall be provided.

Prospective samples shall be selected at random. Those which bear a notation that the values have been modified for reasons other than poor management by the property owner shall not be used in the study. Any prospective sample to be excluded in this manner shall be recorded and documentation as to the validity of the exclusion obtained, otherwise the sample shall be included.

The Field Auditor shall be provided a County map with school districts denoted thereon. Each year for a period of three years, the Field Auditors shall note thereon the sections from which each year's samples have been pulled. A parcel shall not be included in the sample more than once in a three-year period. Field Auditors must visually inspect each parcel site to determine its use.

PROCEDURE

In July of each year the ACD will perform a ratio study to determine whether the county has used the Agriculture Land Value Tables published by the ACD in compliance with Arkansas code 26-26-407. The following is the procedure used by ACD in determining each county's Agricultural Land ratio:

1. Publications by the Assessment Coordination Department containing the Agricultural Land Value Tables for the Southwest, Delta, Ozark and Ouachita regions of Arkansas shall be used to determine land values for agricultural land. The tables represent the Land Capability Classification System, as designated by the U.S. Department of Agriculture's Natural Resource and Conservation Service (NRCS). There are four categories of agricultural land consisting of Crop, Rice, Pasture, and Timber, each with a value representing the productivity of the eighteen soil classes, if applicable (represented by an *ACD NUMBER*). This is in compliance with Arkansas code 26-26-407.
2. For each sample, a ratio is computed using the county's assessed value and the total parcel value calculated by the ACD Field Auditor.
3. To determine the county assessment ratio on agricultural land of the samples being used, totals are calculated of the county's assessments and of the total land values as determined by the ACD Field Auditors. The total assessment is then divided by the ACD total land values, and that total is multiplied times 100 to establish the percent ratio for the county.

4. Field Auditors will discuss their findings regarding irregularities in agricultural land with the Assessor prior to August 1.

~~B. PERSONAL PROPERTY COMPONENT:~~

~~The classifications are:~~

- ~~(1) Business Personal~~
- ~~(2) Personal Auto/other~~

BUSINESS PERSONAL CLASSIFICATION

This component of the ratio study shall be based on a physical examination of the current year's records of each assessor's office to determine the degree of compliance with the criteria established in the Commercial Personal Property Appraisal Manual published by the Arkansas Assessment Coordination Department.

When the fieldwork commences for the current year, instructions as to the number of business personal commercial samples shall be provided.

METHOD OF DETERMINING NUMBER AND LOCATION OF SAMPLES

The minimum sample size for each county shall be determined by the population of the county as reflected in the latest final census figures and the number of businesses therein. Those counties with populations: of 29,999 and below shall have 20 samples; of 30,000 through 69,999 shall have 40 samples; of 70,000 through 199,999 shall have 50 samples and of 200,000 and above shall have 90 samples.

SELECTION OF SAMPLES

After determining the total business personal parcels in the county, the number of samples needed shall be divided into that figure to set the selection interval; however, if a business tentatively selected by this method results in a sample that does not fit into a category recognized in the square foot section of Commercial Personal Property Appraisal Manual, then the next business shall be selected.

PROCEDURE

1. When the Commercial Personal Property Sample Form has been completed on all of the businesses selected for use in the study, the Field Auditor shall go to the business site, compute the square footage, grade the inventory and the furniture and fixtures as to density and quality.
2. In July the Field Auditor shall return to each county, after the county has completed its personal property assessments for the current year, and complete the Commercial Personal Property Takeoff Form.

RATIO COMPUTATION

1. If the county has been provided a good rendition by the business which included a fixed assets' listing and applied the ACD's suggested depreciation schedule to those assets, the County shall automatically receive a twenty percent on those fixed assets and the inventory; if not, the proper assessment shall be computed by the square foot method described in the manual.
2. A comparison of the actual assessed value and the value computed by the Field Auditor produces the ratio.
3. The ratios for all of the businesses are then ranked and the median ratio is determined by county, by school district and by cities in that county. This results in the Current Year Commercial Personal Property Median Ratio.

AUTO/OTHER CLASSIFICATION

This component of the ratio study shall be based on a physical examination of the current year's records of each assessor's office to determine the degree of compliance with the criteria established in the current year edition of the Personal Property Assessment Manual published by the Arkansas Assessment Coordination Department.

METHOD OF DETERMINING NUMBER AND LOCATION OF SAMPLES

The minimum sample size for each county size shall be determined by the population of the county as reflected in the latest final census figures and the number of businesses therein. Those counties with populations: of 29,999 and below shall have 40 samples; of 30,000 to 69,999 shall have 70 samples; 70,000 to 199,999 shall have 100 samples and of 200,000 and above shall have 180 samples.

SELECTION OF SAMPLES

The Field Auditor shall be instructed to get samples of automobiles from the current year through the last fifteen years and of trucks from the current year through the last fourteen years. Only one vehicle shall be taken from each assessment.

PROCEDURE

Since there is no consistent method of filing assessments containing automobiles, i.e., some being filed alphabetically by school district, some alphabetically by county and in many instances, the computer is available for us, samples shall be selected randomly by the Field Auditor who notes the method chosen.

RATIO COMPUTATION

A comparison of the actual assessed value and the value computed utilizing the manual by the Field Auditor produces the ratio by county, by school districts and by cities in that County.

III. FORMULAS UTILIZED AND TESTS CONDUCTED

1. ~~Coefficient of Variation (See section 7.5.2 Standard on Ratio Studies, approved July 1990, International Association of Assessing Officers or current edition to select sample sizes) Median (See section 7.3.1 Standard on Ratio Studies, approved July 1999, International Association of Assessing Officers or current edition)~~
2. ~~Weighted Mean (See section 7.3 Standard on Ratio Studies, approved July 1990, International Association of Assessing Officers or current edition) Coefficient of Dispersion (See section 7.4.2 Standard on Ratio Studies, 1999, International Association of Assessing Officers or current edition)~~
3. ~~Weighted Coefficient of Dispersion about the Median (CODw)~~

$$\text{Formula for CODw} = ((\sum A (S^*A/S)^{\sim} - (s * (N - 1)))A/S)*100)$$

Σ ——— = sum of

\sim ——— = absolute value

A ——— = assessed value of observation

S ——— = selling price of observation

A/S ——— = median assessment sales ratio

S ——— = average selling price of group

N ——— = number of observations

————— = minus sign

* _____ = multiplication sign

/ _____ = division sign

4. ~~Median (See section 73.1 *Standard on Ratio Studies*, approved July 1990, International Association of Assessing Officers or current edition)~~

54. Not required, but also computed:

- a) *Mean* (See section 7.3.2 *Standard on Ratio Studies*, approved July 1990~~1999~~, Association of Assessing Officers or corresponding provisions contained in any superceding edition of same)
- b) *Average Absolute Deviation* (Chapter 20, Page 532-534, *Property Appraisal and Assessment Administration*, published by the International Association of Assessing Officers, 1990 edition or current edition)
- c) *Coefficient of Concentration*:
 - 1) Of the samples that are used, the percentage of observations which are within plus or minus ten percent of the legal ratio of twenty percent.
 - 2) Of the samples that are used, the percentage of observations which are within plus or minus ten percent of the median ratio.
- d) ~~*Coefficient of Dispersion* (See section 7.5. 1 *Standard on Ratio Studies*, 1990, International Association of Assessing Officers or current edition)~~ *Weighted Mean* (See section 7.3.3 *Standard on Ratio Studies*, approved July 1999, International Association of Assessing Officers or current edition)
- e) *Standard Deviation* (Chapter 20, Page 535,536, *Property Appraisal and Assessment Administration*, published by the International Association of Assessing Officers, 1990 edition or current edition)
- f) *Price-Related Differential* (See section 7.7~~6~~ *Standard on Ratio Studies*, approved July 1990~~1999~~, International Association of Assessing Officers)
- g) *Coefficient of Variation* (See section 7.4.2 *Standard on Ratio Studies*, approved July 1999, International Association of Assessing Officers or current edition - to select sample sizes)

IV. DEFINITION OF TERMS

Terms used in connection with the ratio study on market value real property shall be as defined in Section 14, "SORS." AND "PAAA."

*Adopted 10/01/99
Amended 12/20/00*

SUMMARY:

This amendment: clarifies the authority for a ratio study; allows ACD to phase in the IAAO standards; changes property classes to a more logical format; establishes market areas so level and uniformity of assessments can be measured and compared; clarifies what is to be sent to the ACC; establishes a time line for preliminary ratio study; provides for a time adjustment factor; establishes other time lines for the process; helps assure an adequate number of sales to analyze; insures that all sales have been properly recorded and submitted; removes sales from the study that are not arms length transactions; removes single purpose property; removes non-typical sales; and other provisions necessary and proper for the performance of a reliable ratio study based on sales.

RULE 4.05 *(Amended Rule Mark-up)*
GENERAL RULES FOR APPRAISAL CONTRACTORS

The ACD shall maintain an Annual Register of Appraisal Companies and shall not approve a contracted appraisal plan of an Appraisal firm which has not registered with the ACD by submitting the following information:

1. Name, physical address, mailing address, telephone number of appraisal firm;
2. Type of entity, corporation, partnership or sole proprietorship;
3. If a corporation, certificate or proof of good standing;
4. If a corporation, list the stockholders and officers and provide three professional references for each;
5. If a partnership, provide three professional references for each partner;
6. If a sole proprietorship, provide three professional references;
7. For each officer, partner or sole proprietor, fully describe the qualifications of each, including all mass appraisal experience;
8. List of all personnel employed by the appraisal firm who will be performing mass appraisal work in Arkansas, stating whether they are full time or part time employees, or independent contractors, and the appraiser qualification level of each, and the number of years of experience in mass appraisal of each;
9. All appraisal personnel must meet the qualification requirements established under Act 48 of 1980, and all Level Three and Level Four appraisers must meet the continuing educations requirements of 30 hours every three years in order to maintain their qualification levels;
10. List of each county in Arkansas where the appraisal company has performed for the last five years with the year or years when the work was performed, whether the work was maintenance (new construction) or revaluation, and a reference source on each job;
11. A copy of all current insurance documents and bonds covering the company;
12. A statement as follows: The appraisal company recognizes that the information contained herein shall be used by counties in determining whether to contract with it and used by the Assessment Coordination Department in determining whether the firm can adequately perform under a proposed contract; therefore, the appraisal company agrees that all information contained herein will be updated in a timely manner;
13. Any other information the ACD or the appraisal company deems relevant;

14. All information submitted will be made public information and is intended for use by counties who are contemplating employing appraisal companies;
15. The appraisal company must demonstrate that it is financially sound, ~~and possesses sufficient operating capital to perform the contract and its other outstanding contractual obligations. If the appraisal company is a corporation and it does not meet the criteria, the principals may elect to sign as individuals and assume personal liability on the contract with the county.~~ An owner or principal officer of the company shall submit a written and signed statement that: "The appraisal company is financially sound and possesses sufficient operating capital to perform any contract it is awarded and continue to meet its other outstanding contractual and financial obligations and will provide a current financial statement if requested by the ACD".

Adopted 10/199

SUMMARY:

This amendment, in the interest of full disclosure, adds a provision that the contractor is to list all independent contractors he uses. A provision is added that the owner is to sign a statement that the company is sound and has sufficient capital to perform any contract it is awarded.

RULE 4.05.1 (New Rule)
REMOVAL OF APPRAISAL COMPANY

The Director of the Assessment Coordination Department may, for cause, remove an appraisal company from the list of registered contractors doing mass appraisal work within the State of Arkansas.

SUMMARY:

This rule provides notice to the public that the ACD Director has the authority to remove a contractor, for cause, from the list of registered contractors doing mass appraisal in the state.

RULE 4.08.1
DEFINITIONS

(Amended Rule Mark-up)

The following definitions apply to Amendment 59 to the Arkansas Constitution: Act 1981, No. 848.

1. REAPPRAISAL - The estimating of value of all taxable real property within the county as of a given date within a given time frame.
2. MASS APPRAISAL - Estimating the value of a group of properties as of a given date, within a given time frame using generally accepted techniques.
3. REASSESSMENT - Process of placing reappraisal values in the official assessment record.
4. COUNTY-WIDE REAPPRAISAL - Mass appraisal of certain classes of properties within a county, provided those other classes of property not reappraised have had their values reviewed and are currently assessed at acceptable levels.
5. PREVAILING VALUE - Value of a property as determined by the existing appraised values of other similar properties in the county.
6. NEWLY DISCOVERED PROPERTY - Property that has never been on the assessment roll.
7. NEW CONSTRUCTION AND IMPROVEMENTS - Changes to property that have occurred to property already on the assessment roll.
8. BASE YEAR - Year when reassessed values are entered on assessment roll.
9. MARKET VALUE - Most probable sale price of a property in terms of money in a competitive and open market, assuming that the buyer and seller are acting prudently and knowledgeable, allowing sufficient time for the sale, and assuming that the transaction is not affected by undue pressures.
10. BONA FIDE AGRICULTURAL LAND - Land that is devoted to the production of commercial quantities of plant products to be used for human consumption, animal feed, or as a textile.
11. BONA FIDE PASTURE LAND - Land to benefit grazing animals, or growing forage crops with the intent of selling or storing for future use.
12. BONA FIDE TIMBER LAND - Forest land that is producing, or capable of producing, crops of industrial wood and is not withdrawn from timber utilization (Appendix, pg 30, *A Forest Resources of Arkansas*@ Southern Forest Experiment Station, Resource Bulletin SO-169, Feb. 1992).

The following definitions apply to Amendment 79 to the Arkansas Constitution.

1. CHANGE IN USE - The terms "newly discovered" and "newly constructed" as contained in Arkansas Constitution Article 16, Section 12 and Amendment 79 shall be construed to include change in use.
2. SUBSTANTIAL IMPROVEMENT TO REAL PROPERTY- The term "substantial improvements to real property" as used in Amendment 79, Sections 1(b) (2) and (1) (c) (2) means:
 1. Renovation, reconstruction, and refurbishment occurring to further a change in the use and/or class of an improvement. Upon completion of the renovation, reconstruction or refurbishment the assessor shall note the change in use and reappraise the improvement based upon its prevailing market value in the following assessment year. If multiple improvements reside on the parcel, only those that have been renovated, reconstructed or refurbished shall be reappraised and the remainder shall continue to be valued in accordance with Amendment 79, Sections 1(b)(1), 1(c)(1) or 2(b) whichever is appropriate.
 2. Renovation, reconstruction, and refurbishment occurring that will add 25% or more to the contributory value of an improvement to the property. Upon completion of the renovation, reconstruction or refurbishment the assessor shall note and document the contributory value increase and reappraise the improvement based upon its prevailing market value in the following assessment year. If multiple improvements reside on the parcel, only those that have been renovated, reconstructed or refurbished shall be reappraised and the remainder shall continue to be valued in accordance with Amendment 79, Sections 1(b)(1), 1(c)(1) or 2(b) whichever is appropriate.

The term "substantial improvements to real property" as used in Amendment 79, Sections 1(b)(2) and (1)(c)(2) does not include normal maintenance on an improvement intended to only maintain its existing utility.

*Adopted 10/01/99
Amended 12/20/00*

SUMMARY:

Amendment 79 uses the terms "newly discovered" and "newly constructed" and "substantial improvement to real property" but does not define them. This amendment clarifies these terms so their meaning and use will uniform through-out the state.

RULE 4.19.1*(New Rule)***UNIFORM NOTICE OF NEWLY DISCOVERED/NEWLY CONSTRUCTED PROPERTY**

If the Assessor becomes aware of Newly Discovered or Newly Constructed property in a non-reappraisal year, and the resulting increase in market value of the parcel caused by the Newly Discovered or Newly Constructed property is \$5000.00 or more, the parcel will be updated and a notice will be sent to the Taxpayer. Any Newly Discovered or Newly Constructed property, having a market value of less than \$5000.00 when discovered, may be listed and updated during the year of discovery and will be listed and updated during the appraisal year.

SUMMARY:

This amendment provides that if property has new construction that adds \$5000.00 or more to its' value the appraisal on that property will updated and listed for the appraisal year.

RULE 5.02

(Amended Rule Mark-up)

FORMS

FOR USE BY ASSESSORS OR REAPPRAISAL FIRMS:

FORM A-10 CONTRACTED COUNTRY-WIDE REAPPRAISAL PLAN

30. Checklist of Services to Be Provided. The following checklist must be submitted as part of the bid specifications:

1. Contractor Required Services

Finished Property Record Cards

Sectionalized Aerial photos (If county does not already have most current)
(Sectionalized is defined as – The process of drawing and/or displaying linear representations of Section, Township and Range lines on aerial photography and labeling same.)

Real estate appraisal

Field data collection

CAMA system data entry

Agricultural, timber & pasture land value update

Appraisal notice mailing

Value estimate defense

Public inquiries about property values (informal appeals)

Property sales verification

Sales ratio study (compliance with 10.0 of the Bid Specifications)

Progress reports to county officials and ACD

Discovery of new construction from public records and sources

Valuation of newly discovered property in the current assessment year

Property addresses where reasonably attainable

Most recent ACD soil summary

Quality Control (compliance with 13.0 of the Bid Specifications)

Liability and workman's compensation insurance (compliance with 21.0 of the Bid Specifications)

SUMMARY:

This amendment adds sectionalized photos to the list of items that the contractor is required to furnish and clarifies the meaning of "sectionalized photos".

FORM A-17 COMPLIANCE VERIFICATION FORM

COMPLIANCE VERIFICATION FORM

_____ County

Date: _____

County Assessor: _____

Appraisal Manager: _____

Responsible Party: _____

Appraisal Firm (if applicable): _____

PLAN FOR CORRECTIVE ACTIONOut of Compliance ~~Category~~ Categories: __________

Corrective Action Required: _____

Deadline: _____

Required Progress by Month:

Note: Failure to The responsible party must agree to the terms listed herein and must sign, date, and return this document to the ACD within 30 calendar days and take corrective action as required or funding will be subject to termination, pending results of a hearing if one is requested. maintain scheduled monthly progress or meet the deadline for any corrective action will result in the reappraisal being out of compliance with standards established by the Assessment Coordination Department's Rules and Regulations. The responsible party must then bring the corrective procedures into

~~compliance within 30 days and notify the ACD in writing or funding will be terminated (see Rule 3.31).~~

CERTIFICATION:

~~I CERTIFY THAT PROPER REAPPRAISAL PROCEDURES FOR THE ABOVE CATEGORY ARE IN PLACE AND ANY NECESSARY CORRECTIONS OF PAST REAPPRAISAL WORK WILL BE ADDRESSED IN ACCORDANCE WITH THE ABOVE PLAN FOR CORRECTIVE ACTION.~~

I CERTIFY THAT I WILL COMPLETE ANY REQUIRED CORRECTIVE ACTION IN ACCORDANCE WITH THE TERMS LISTED HEREIN.

Responsible Party _____ Date _____

APPROVAL:

ACD Director _____ Date _____

Form A-17

Adopted 03/03/02

SUMMARY:

The changes in this form were made to reflect corresponding changes in Rule 3.31.